

WESTERN ENERGY MARKETS

Briefing on Policy Initiatives

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WEM Governing Body Meeting

General Session

March 25, 2025



EDAM external congestion rent allocation will impact schedules for other policy initiatives

- The ISO has kicked off a new stakeholder process to explore EDAM congestion revenue allocation, given the questions raised in the PacifiCorp OATT filing at FERC.
- We plan to have a targeted scope and hope to bring resolution to these issues quickly, by the time of the May Board of Governors and Governing Body meetings.
- To facilitate that, we are adjusting schedules on some other policy initiatives to make space for stakeholders to devote their attention to this matter.

Assistance energy transfer and WEIM resource sufficiency evaluation

- Planned upcoming kick-off for assistance energy transfer extension discussion
 - Tariff provisions currently sunset December 31, 2025
 - Decision informed by analysis of recent peak seasons and WEIM results
 - Metrics related to assistance energy transfers to help inform whether it is working well as-is, or whether we should explore modifications
 - We can consider any additional scope in a subsequent resource sufficiency evaluation enhancements 3 initiative, which would start later this year, if there is a desire to do so.
- Proposed decisional classification: Joint authority

Price formation enhancements initiative

- We continue to progress in phase 2 of our initiative, advancing the development of proposals for scarcity pricing, BAA-level market power mitigation, and fast-start pricing.
- This initiative has been covering a lot of ground with weekly stakeholder meetings, but we will be adjusting the schedule of stakeholder meetings on this initiative to recognize the need for stakeholder bandwidth discussed earlier.

Greenhouse gas coordination (GHG) working group

- GHG accounting for state policies without a price on carbon emissions
 - Issue paper was published in December
 - Moving forward to design policy on an out-of-market GHG “accounting and reporting” approach, introduced and supported by stakeholders
 - A sub-group and the working group are developing the report format
 - Tariff authority may be needed to outline the funding approach
- Stakeholders requested additional GHG metrics and information to help support compliance with different state, local, and corporate programs
 - ISO now reporting average GHG emissions rate monthly and annual
 - Additional metrics reports will become available through the accounting and reporting initiative
 - Finalizing GHG metrics that will be monitored with EDAM launch
- Continued review of GHG design in the WEIM and EDAM
- Proposed decisional classification: Joint authority

Gas resource management initiative

- ISO staff developing a straw proposal informed by stakeholder comments submitted on March 11
- Comments indicate a desire to focus on enhancing advisory gas burn information in advance of the day-ahead market, exploring exceptional circumstance cost recovery, and ISO coordination with gas pipelines during restrictive operating conditions.
- Some of these changes would be process enhancements, whereas others may require tariff changes.
- Proposed decisional classification: Joint authority

Congestion revenue rights

- The ISO has kicked off a working group to enhance the congestion revenue rights (CRR) market
 - The next meeting will be held on March 25, 2025
 - Thus far, the working group has discussed initiative scoping, the current CRR program structure and function for stakeholders, and newly-published ISO analysis on the 2018 reforms
- As part of the 2018 reforms designed to resolve observed inefficiencies with the CRR auction, the ISO committed to:
 - assess the impacts of the proposals and
 - consider more comprehensive changes to the CRR allocation and auction design
- Proposed decisional classification: TBD

Demand and distributed energy market integration

- The ISO has started a new working group exploring the development or enhancement of participation models and market rules associated with demand response and distributed energy resource participation
 - Kick-off working group call held February 5, 2025
 - Initial working group session on March 3 begins the stakeholder-led scoping for policy development efforts
 - Discussion Paper forthcoming to organize stakeholder feedback and assist with policy prioritization
- Proposed decisional classification: TBD

Storage design and modeling

- The ISO hosted monthly full-day stakeholder working group meetings. The next meeting will be April 2, 2025.
- Meetings discussed overviews of topics and stakeholder-requested level-sets on existing storage constraints, planned storage constraints, and use of implied bid spreads.
 - Stakeholders such as Terra-Gen, PG&E, and Vistra presented on hybrid issues, novel participation pathways, and outage management topics
- Issue paper & straw proposal being developed
 - Outage management system enhancements, state-of-charge definition, and nonlinearity

Policy initiatives catalog & roadmap

- Stakeholders submitted discretionary policy initiative proposals to the ISO during February 2025
- Stakeholder prioritization workshops & Regional Issues Forum Roundtable: April 2025
- Stakeholder prioritization & ranking survey: May 2025

Informational updates for ongoing policy initiatives not under joint authority

Resource adequacy policy development

The ISO is hosting working group meetings and working toward straw proposals.

Track 1: Modeling & Default Standards

- Loss of load expectation modeling
- Updating ISO default planning reserve margin and default counting rules
- Unforced Capacity in collaboration with the CPUC and other local regulatory authorities
- Accounting for ambient derates due to temperature for resource adequacy resources

Track 2: Outage and Substitution & Availability and Performance Incentives

- Updating the ISO's outage and substitution processes
- Reforming availability and performance incentives

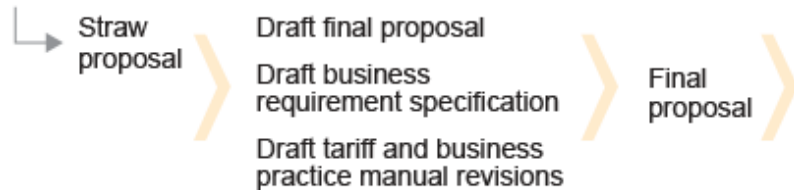
Track 3: Backstop Reform

- Increase the ISO's visibility into available backstop capacity
- Increase transparency to stakeholders on backstop decision making
- Updating the current backstop product
- Longer-term solutions for the ISO BAA around curing deficiencies and assigning costs related to the EDAM resource sufficiency evaluation

Policy initiative process

PROPOSAL DEVELOPMENT

Issue paper and working groups



DECISION



IMPLEMENTATION



Stakeholder input

This represents the typical process, and often stages run in parallel.

Policy initiative status

		2025			
		Q1	Q2	Q3	Q4
Day Ahead Market Enhancements				Implementation working groups	
Extended Day Ahead Market		Implementation			
Gas Resource Management		Proposal working groups	Policy development		Decision
Greenhouse Gas Coordination		Policy development		Briefing/Decision	
Price Formation Enhancements					
	Scarcity pricing & market power mitigation	Proposal working groups	Straw proposal	Policy development	Final Proposal
	Fast start pricing	Proposal working groups	Straw proposal	Policy development	
WEIM Resource Sufficiency Evaluation Enhancements/AET Extension		Policy development			Decision
Demand and Distributed Energy Market Integration		Scoping working groups			Policy Development
Storage Design and Modeling		Scoping working groups		Policy development	
Congestion Revenue Rights		Scoping working groups	Policy development		
Resource Adequacy Modeling and Program Design		Policy development		Decision	Implementation

Pre-proposal development
Proposal development
Decision
Implementation